ECONOMIC OUTLOOK 2016
ST. JOHN'S CENSUS METROPOLITAN AREA

Outlook for 2016

Economy

Economic growth in the St. John's Census Metropolitan Area (CMA) – as measured by real Gross Domestic Product (GDP) – is expected to increase in 2016, but only marginally. While GDP in the oil industry is expected to increase 4.7 per cent due to increased production, this increase is expected to be partially offset by declines in several other industries including construction, retail trade and other service sector industries.

Overall, real GDP in the St. John's CMA is expected to increase by 0.7 per cent in 2016, in comparison to an increase of 1.0 per cent for the province as a whole. Total oil production in the province is expected to be 67.5 million barrels in 2016, an increase of 7.7 per cent (or 4.8 million barrels) from 2015. Investment associated with major project development will continue to generate substantial economic activity in the region as spending related to the Hebron, Muskrat Falls, and Hibernia projects remains high.

Economic Indicators
St. John's Metropolitan Area, 2015e-2016f

	2015e	2016f	% Change 2015e-2016f
Real GDP (2007$M)	12,645	12,733	0.7
Employment (000s)	115.9	114.7	-1.0
Labour Force (000s)	123.9	123.2	-0.6
Unemployment Rate (%)	6.5	6.9	0.4 ppts
Participation Rate (%)	69.3	68.0	-1.3 ppts
Household Income ($M)	10,847	11,019	1.6
Retail Trade ($M)	3,923	3,979	1.4
Housing Starts	985	739	-25.0
CPI (2002=100)	128.7	131.5	2.2
Population (000s)	214.3	216.8	1.2

Source: Statistics Canada; Economic Research and Analysis, Department of Finance, Government of Newfoundland and Labrador
e: estimate; f: forecast

Labour Market

Employment in the St. John's CMA is forecast to decline by 1.0 per cent driven by weakness in the service sector. The labour force is expected to decline by 0.6 per cent. Since the labour force is expected to decline at a slower pace than employment, the unemployment rate is expected to increase by 0.4 percentage points to 6.9 per cent.

Household Income and Housing

Uncertainty created by low oil prices and the resulting increase in the province's fiscal deficit is expected to negatively affect consumer and business confidence. Household income growth is expected to be 1.6 per cent which is relatively slow in comparison to recent years. As a result, retail sales growth is forecast to increase by 1.4 per cent to $4.0 billion in 2016. Housing starts are expected to decrease by 25.0 per cent to 739 units.

Population

Despite the slowdown in the local economy, population is being boosted by high levels of international migration and a reduction in out-migration to Alberta as a result of the economic contraction in that province. The population of the St. John's CMA is expected to continue to grow in 2016 to 216,800 persons, an increase of 1.2 per cent compared to 2015. The population of the St. John's CMA accounts for over 40 per cent of the province's population.

Given the current volatile economic climate globally and locally, there is a higher than normal degree of uncertainty regarding the economic outlook for 2016.

2015 Performance

Like the province as a whole, economic performance in the St. John's CMA softened in 2015. Real GDP is estimated to have declined 5.4 per cent primarily due to lower oil production and a weaker housing market. In contrast, real GDP excluding oil production increased by 0.8 per cent.

Labour Market

The CMA labour market performance was mixed in 2015. Employment growth was positive in several industries including manufacturing; trade; business, building and other support services; professional, scientific and technical services; and accommodation and food services. However, these gains were offset by declines in other industries including: oil and gas; construction; finance, insurance, real estate and leasing; information, culture and recreation; education; and public administration. Overall, employment in the St. John's CMA decreased by 0.3 per cent (or 400 person years) to 115,900 in 2015 and the labour force grew by 0.2 per cent to 123,900. Since labour force growth was greater than employment growth, the unemployment rate increased by 0.5 percentage points to 6.5 per cent. Despite this increase, the St. John's CMA unemployment rate remains relatively low in historical terms and ranks in the middle of the pack in comparison to other CMAs in Canada.

ST. JOHN'S

Prepared by Economic Research and Analysis, Department of Finance, Government of Newfoundland and Labrador and the City of St. John's (Office of Strategy & Engagement)

July 2016

2015 Performance continued

Household Income and Housing

Household income increased 3.2 per cent in 2015 to $10.8 billion, driven by wage gains and increased government transfers, particularly OAS and CPP. However, this growth was significantly lower than the previous five-year average of 6.2 per cent. The slower growth in household income was reflected in retail sales which at $3.9 billion in 2015 were only 0.4 per cent higher than the previous year's level. Housing starts fell by 19.9 per cent to 985 units as starts in single detached, row units and apartments all experienced significant declines.

Population

In 2015, the St. John's CMA is estimated to have recorded an annual population increase for the 17th consecutive year. Gains resulted from natural growth (more births than deaths) and net in-migration to the region. As of July 1, 2015, the population of the St. John's CMA is estimated to have been 214,300, up 1.0 per cent from the previous year.

Labour Market Activity Among Older Workers

Older workers[1] can play a major role in alleviating some of the concerns that businesses face with regard to skill shortages and knowledge retention and the 55 plus age cohort is playing an increasing role in the economy of the St. John's CMA. This is reflected by the fact that since 2001 the unemployment rate for this group is lower and has fallen faster than the broader 15 plus age cohort. In 2001, the unemployment rate among older workers in the CMA was 7.8 per cent in comparison to the overall CMA unemployment rate of 9.2 per cent. Since 2001, the unemployment rate of the 55 plus age cohort has fallen by 4.2 percentage points to 3.6 per cent in 2015. In contrast, the overall CMA unemployment rate over the same period has fallen by 2.7 percentage points and stood at 6.5 per cent in 2015.

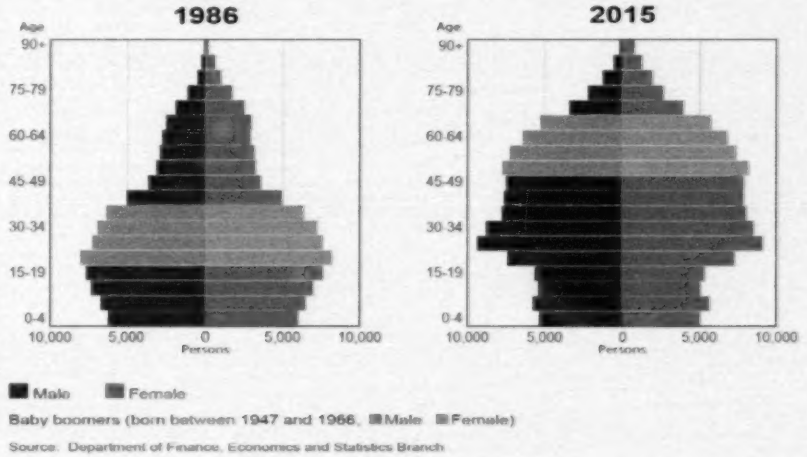
In 2001, older workers accounted for 8.1 per cent of the CMA's labour force and 8.3 per cent of total CMA employment. In contrast, by 2015 these shares had increased to 15.9 per cent of the labour force and 16.4 per cent of employment.

The increasing proportion of older workers in the labour market over the 2001 to 2015 period can be attributed to two basic factors. First, as the baby boomers (persons born between 1947 and 1966) grow older, the 55 plus age group make up a greater share of the general population and consequently this age cohort accounts for a greater share of the labour force. Secondly, an increasing proportion of older workers are choosing to remain in the work force. The participation rate for the 55 plus cohort in the St. John's CMA increased significantly from 23.4 per cent in 2001 to 36.3 per cent in 2015. There are several factors driving this phenomenon including the elimination of a mandatory retirement age, improved health status, increased longevity and, unfortunately, in some cases financial necessity.

The demographics of the St. John's CMA have changed significantly over the past 30 years due to a combination of in-migration, baby boomer aging and lower birth rates (see population pyramid chart). As a result, persons 55 plus years of age now account for a larger percentage of the CMA's population—27 per cent in 2015 versus 17 per cent in 1986. Furthermore, the prime working age cohort (25-54 years of age) also account for a greater proportion of the total population—46 per cent in 2015 versus 40 per cent in 1986.

Due to the increased share of both 55 plus and prime working age cohorts and the fact that more seniors are choosing to remain in the workforce for longer periods, labour supply constraints are not expected to be as much of a concern in the CMA as they are in other areas of the province.

Size and Age Profile of CMA Population Changing



Baby boomers (born between 1947 and 1966, ■Male ■Female)

Source: Department of Finance, Economics and Statistics Branch

1 *For the purposes of this analysis older workers are defined as those 55 years of age and over.*

Note: *The St. John's Census Metropolitan Area is a Statistics Canada geographically defined area including St. John's and neighbouring communities.*